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THE Demand and Price SITUATION

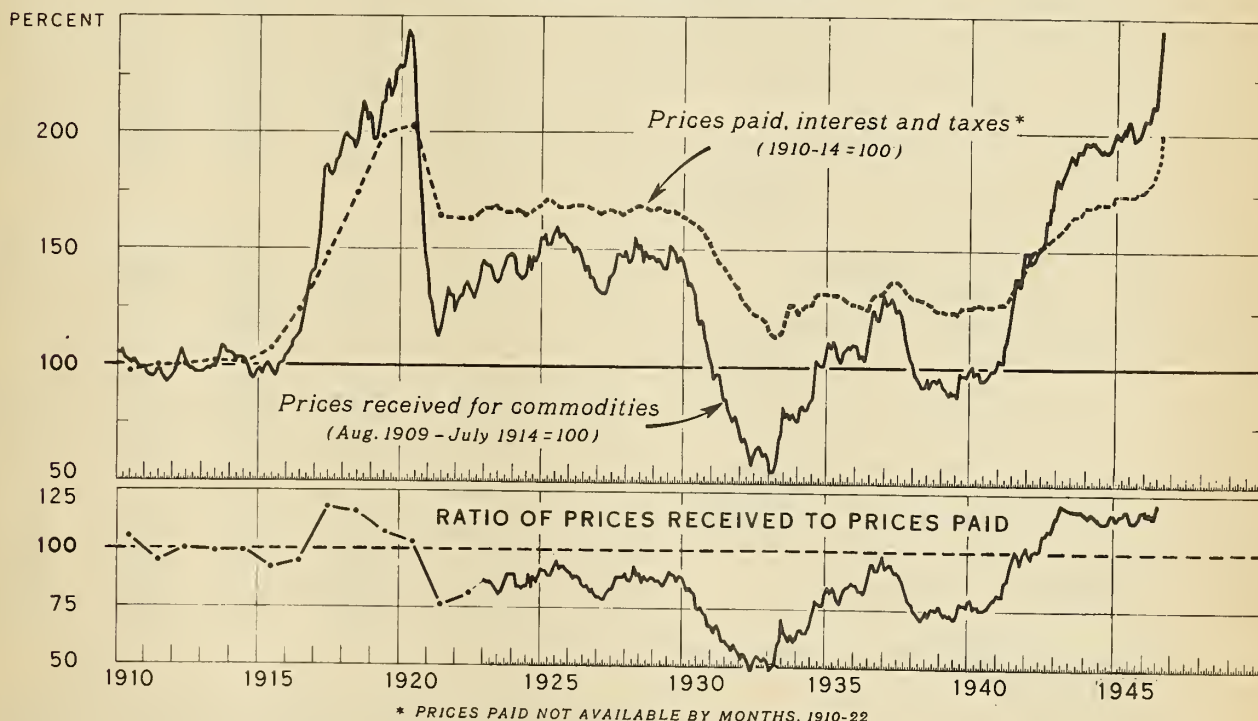
BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D. C.



AUGUST 1946

PRICES RECEIVED AND PAID BY FARMERS, INDEX NUMBERS, UNITED STATES, 1910-46



U. S. DEPARTMENT OF AGRICULTURE

NEG. 39935

BUREAU OF AGRICULTURAL ECONOMICS

With the lapse of price controls and suspension of subsidy payments in July 1946, the index of prices received by farmers advanced sharply to a new record high. The level of prices of farm products in July was almost 2-1/2 times as high as in 1940.

The index of prices paid by farmers for commodities, interest and taxes, also advanced to a new high in July, but relative to 1940 has increased only 59 percent. The parity ratio (ratio of prices received to prices paid, interest, taxes) rose in July to equal the previous wartime peak of 123 reached in April 1943, compared with a ratio of 80 in 1940.

ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	:Unit or: : base : :period :	1945		1946			
		Year	June	Mar.	Apr.	May	June
Industrial Production <u>1/</u>	:1935-39:						
Total	= 100 :	203	220	168	165	159	170
All manufactures	" :	214	233	173	176	167	175
Durable goods	" :	274	308	183	191	175	192
Nondurable goods	" :	166	173	165	163	160	161
Minerals	" :	137	144	138	104	116	141
Construction activity <u>1/</u>	:1935-39:						
Contracts, total	= 100 :	118	87	256	296	294	305
Contracts, residential	" :	64	54	316	422	439	439
Wholesale prices <u>2/</u>	:1935-39:						
All commodities	= 100 :	131	132	135	137	138	140
All commodities except farm and food	" :	123	123	126	127	128	130
Farm products	" :	169	172	176	178	181	184
Food	" :	134	136	138	140	141	143
Prices received and paid by farmers <u>3/</u>	:1910-14: = 100 :						
Prices received, all prod. ..	" :	202	206	209	212	211	218
Prices paid, int. and taxes ..	" :	174	173	180	181	185	188
Parity ratio	" :	116	119	116	117	114	116
Consumers' price <u>5/ 6/</u>	:1935-39:						
Total	= 100 :	128	129	130	131	132	133
Food	" :	139	141	140	142	143	146
Nonfood	" :	123	123	125	126	126	127
Income .	:1935-39:						
Nonagricultural payments <u>4/</u> ..	= 100 :	236	241	230	233	234	234
Cash farm <u>3/</u>	" :	283	287	285	276	299	284
Income of Industrial Workers <u>3/</u> ..	" :	286	311	238	244	245	264
Factory payrolls <u>5/</u>	" :	307	335	248	265	264	274
Weekly earnings of factory workers <u>5/</u>	:Dollars:						
All manufacturing	" :	44.41	46.32	42.15	42.87	42.46	43.10
Durable goods	" :	49.07	51.74	44.79	45.70	45.02	45.98
Nondurable	" :	38.30	38.95	39.83	40.12	39.94	40.25
Employment	:						
Total civilian <u>7/</u>	:Millions:	51.6	52.1	53.0	54.6	55.3	56.7
Employees in nonagri. est. <u>5/</u> ..	:Thous.:	36,981	37,556	36,273	36,887	37,377	37,762
Farm <u>3/</u>	" :	9,844	10,994	8,263	9,121	10,366	11,422
Government finance (Federal) <u>8/</u> ..	:Mil.dol:						
Receipts, net	" :	3,837	5,914	5,747	2,677	2,733	4,479
Expenditures	" :	7,546	9,641	4,602	4,251	3,677	5,513

Annual data for the years 1929-45 appear on page 20 of the March 1946 issue of the Demand and Price Situation.

Sources: 1/ Federal Reserve Board; converted to a 1935-39 base. 2/ U. S. Dept. of Labor, B. L. S. 3/ U. S. Dept. of Agriculture, BAE. To convert prices received and prices paid, interest and taxes to the 1935-39 base, multiply by .93110 and .78125 respectively. 4/ U. S. Dept. of Commerce. 5/ U. S. Dept. of Labor, B. L. S. 6/ Consumers' price index for moderate-income families in large cities. 7/ U. S. Dept. of Commerce, Bureau of Census. 8/ U. S. Dept. of Treasury. Data for 1945 are on average monthly basis.

 THE DEMAND AND PRICE SITUATION

Approved by Outlook and Situation Board - August 21, 1946

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DEMAND FOR FARM PRODUCTS

Demand for farm products continues to be exceptionally strong. The economy is operating at the highest peacetime rate on record, and prospects are bright for further expansion. New records have been established in the production of goods for civilian use, in employment and wage rates. Incomes of individuals, after taxes, are at the wartime peak established in the first half of 1945 and are likely to advance substantially from present levels during the remainder of the year.

A new postwar record for industrial output was established during July. The Federal Reserve Board index of industrial production (1935-39 = 100) is tentatively estimated at 174 in July compared with 170 in June and 159 in May, when strikes severely restricted production. In July 1945, the index was 210, of which 60 percent was war production. Much of the increase in July was due to high-level activity in steel mills, which operated at almost 90 percent of capacity throughout the month. Automobile and truck production recorded new postwar highs for three successive weeks in July. By the end of the month,

motor vehicles were being produced at an annual rate of about 4 million, less than 20 percent below the 1941 total. The flow of goods to consumers is very substantial, but of an uneven pattern relative to consumers' demands. In general, supplies are still short of accumulated demands, particularly in consumer durable goods such as automobiles and housing. The Civilian Production Administration has reported that prewar rates have been exceeded in production of radios, washing machines, vacuum cleaners, gas ranges and electric irons.

Income payments to individuals in June were at a seasonally adjusted annual rate of 161 billion dollars, about the same as in May, when large retro-active wage increases were paid out. Payments in June were 2 percent below June, 1945, and 139 percent above the 1935-39 average. For the first six months of 1946, income payments averaged less than 3 percent below the comparable period in 1945. However, after deduction of personal taxes, which are lower this year, it is estimated that consumers' income available for spending in the second quarter of this year was approximately at the level in the first and second quarters of 1945, when wartime incomes reached their peak. It is anticipated that income payments will be substantially higher in the third quarter of 1946, reflecting increased industrial activity and higher income from agriculture.

High level incomes have been translated into record retail sales. The rate of savings from current income in the second quarter of 1946 was only half that of a year ago. Extension of consumer credit has increased by more than a third since June 1945, but is still 22 percent below 1941. The value of retail sales in June was slightly higher than in May, 25 percent above June 1945, and 138 percent higher than in 1935-39. In terms of the volume of goods sold, June retail sales were slightly less than in May but 20 percent above June 1945 and 62 percent higher than in 1935-39. Inventories have been increasing but are still low relative to the high level of sales.

THE LABOR FORCE

The usual summer influx of students into the labor force has been absorbed along with some World War II veterans with little difficulty. According to the U. S. Census report covering the week of July 7-13, the total civilian labor force increased from 59.3 million in early June to 60.4 million in early July. Civilian employment increased more than this, from 56.7 million to 58.1 million, so that unemployment was reduced from 2.6 million to 2.3 million. Following the usual seasonal pattern, all of the increased employment in July occurred in nonagricultural employment, in contrast to the previous month when agriculture accounted for the most substantial part.

Compared with a year ago, the civilian labor force has been expanded by a net figure of 5.2 million and employment by 3.9 million. Thus, unemployment has risen by only 1.3 million over last year, although the armed forces have been reduced by a net of almost 10 million. Not all veterans are seeking civilian employment and there has been a considerable withdrawal from the labor force, particularly of women. About three-fourths million veterans now considered as outside of the labor force are expected to seek work in the near future.

COMMODITY PRICES

The re-establishment of OPA on July 25 was not reflected immediately in any significant change in the general level of prices. The general price level, as measured by the Bureau of Labor Statistics index of wholesale prices, for the week ended August 3 was slightly higher than two weeks previous and 11 percent above the level prevailing before the lapse of price controls. According to provisions of the Price Control Extension Act of 1946, no marked adjustment in the general level of prices by means of price controls was possible before August 21. Most of the wholesale price increase that occurred between the lapse of price controls and early August, was accounted for by a 12 percent increase in prices of farm products and a 25 percent advance in food prices. Part of these price advances offset the suspension of subsidy payments which occurred with the lapse of price controls. Prices of commodities other than farm products and foods recorded only a 4 percent increase during the same period. But some price increases, such as those in coal and steel, and increases in freight rates authorized before June 30, have not been fully reflected in prices of industrial commodities.

The level of prices of farm products in the near future depends largely on operations under the Price Control Extension Act of 1946. On August 20, the Price Decontrol Board determined that ceiling prices of livestock and meats shall be reimposed and that subsidies in effect on these commodities on June 30 shall be re-established. The Board also determined to reimpose ceilings on flaxseed, soybeans, cottonseed, and byproduct feeds. However, prices of grains, other than flaxseed, and of dairy products were not recontrolled. Maximum prices of recontrolled commodities had not been announced by August 21. On September 1, the Secretary of Agriculture must certify to the Price Administrator each agricultural commodity which the Secretary determines to be in short supply. On the first of each succeeding month, the Secretary must certify as to the commodities to be added or removed from the list. No maximum price shall be applicable to any agricultural commodity unless the Secretary of Agriculture certifies the commodity as being in short supply.

The level of central market prices of farm commodities around mid-August was somewhat higher than a month previous. Declines in prices of grains, fruits and vegetables were more than offset by increases in prices of livestock and livestock products. With the lapse of price controls, the index of prices received by farmers advanced 12 percent from 218 on June 15 (1909-14 = 100) to 244 on July 15. The index in July was 9 points higher than the previous record established in May 1920 and 38 points above July 1945. The farm price level in July was 128 percent above the 1935-39 average. Sharp advances in the prices of cotton, grains, meat animals and dairy products were the primary contributors to the advance in July.

Prices farmers were paying were also somewhat higher in August than in July. During July, many manufacturers maintained prices at or near previous ceilings pending the outcome of legislation to reimpose ceilings. Subsequent to the re-institution of price controls, important price increases have been allowed on many nonfarm products, notably textiles.

The index of prices paid by farmers for commodities (excluding interest and taxes) advanced about 7 percent from 196 on June 15 (1910-14 = 100) to 209 on July 15, 1946 principally due to advances in prices of foods and feeds. In July, 1945 the index was 180. Since the prewar period 1935-39, the index of prices paid by farmers had advanced 67 percent. The index of prices paid by farmers, including interest and taxes, was 199 on July 15 (1910-14 = 100) compared with 188 in June and 173 a year ago. The July level represents an increase of 56 percent over the 1935-39 average. The parity ratio (the index of prices received by farmers divided by the index of prices paid, including interest and taxes) advanced sharply from 116 in June to 123 in July, equaling the previous peak established in April 1943. This ratio was 119 in July 1945 and averaged 84 in 1935-39.

The Bureau of Labor Statistics index of wholesale prices advanced from 111 in May (1926 = 100) to 113 in June. Based on preliminary data, the advance in July, estimated at about 10 percent, brings this index about 54 percent above that in 1935-39. In the first six months of 1946, this index advanced 5 percent and in the 12 months ending with June, 6 percent.

A preliminary estimate by the Bureau of Labor Statistics indicates that the Consumer Price index in large cities advanced about 5-1/2 percent from

June 15 to July 15 with foods up almost 14 percent. The advance in this index in the preceding 12 months was 3 percent. The estimated July level was approximately 40 percent above the 1935-39 average.

FARM INCOME

Cash receipts from farm marketings in 1946 are now expected to total almost 10 percent more than the 20,781 million dollars received last year. Gross farm income will probably show a similar gain; but with larger expenditures for feed, labor, and other farm expenses, operators' net income is likely to be only slightly higher.

Preliminary estimates indicate that cash receipts from farm marketings during the first 7 months of 1946 were approximately 10.8 billion dollars, as compared with 10.6 billion received in the same period last year. Receipts from livestock and livestock products were about the same as last year with meat animals, dairy products, and poultry products all close to 1945 levels. Crop receipts for the same period showed a gain of about 6 percent over last year. Receipts from wheat rose sharply, but both cotton and tobacco were down.

In July, cash receipts from farm marketings probably totaled more than 2 billion dollars. This represents a gain of about 40 percent from the June level, which was a relatively large increase, but was only 16 percent above July of last year. Prices received for farm products in July averaged about 12 percent higher than in June; but most of the increase in receipts was the result of increased marketings. As a group, livestock and products benefited considerably more than crops from price increases, although part of those increases offset dairy production payments and other subsidies which were terminated on June 30. Prices of livestock and products averaged 16 percent higher in July, as compared with an increase of 8 percent for crops.

Total receipts from livestock and products were almost 50 percent above the June level. Marketings of meat animals, curtailed during June, soon began to pick up with higher prices: and cash receipts from meat animals in July were twice as great as in June. Dairy subsidies were discontinued on June 30. But retail prices for dairy products on most markets increased sharply so that unit returns to producers were approximately maintained at the June level. Since dairy production payments in June were included as Government payments rather than as cash receipts, higher prices in July raised receipts from dairy products in July 11 percent above June. Total receipts from poultry and eggs showed a gain of about 19 percent, with income from eggs making the usual seasonal decrease and receipts from poultry rising sharply.

Total crop receipts showed slightly less than the usual seasonal increase in July, increasing one-third from the June level. Receipts from grains were up slightly more than in July of last year, with higher prices accounting for part of the increase. Although receipts from fruits were on a higher level than in 1945, they did not make as great a gain over June as they did last year. Receipts from vegetables in July showed a much greater decline than in 1945. The relatively low income from both fruits and vegetables compared with June was due largely to a sharper than usual decline in average prices of fruits and truck crops.

Total cash receipts from farm marketings in June are estimated at 1,483 million dollars, 4 percent less than in May. There is usually a small seasonal increase, from May to June. Receipts from livestock and products were 844 million dollars, 13 percent below May; but crop receipts, amounting to 639 million dollars, were 10 percent above May. Cash receipts from meat animals in June were lower than usual as marketings were reduced. Some curtailment in marketings of meat animals was evident early in June; and by the end of the month the volume of marketings had been severely reduced. As a result, receipts from meat animals in June showed a reduction of about one-fourth from the previous month. Receipts from the sale of wheat were about the same as in June of last year, but were 17 percent below May, when marketings were unusually large. Receipts from fruits and vegetables showed about the usual seasonal increase.

LIVESTOCK AND MEATS

Prices of all species of meat animals reached record highs in late July or early August. The average price for all hogs sold at Chicago in the week ended August 10 was \$21.81 per 100 pounds compared with about \$14.75 under the June 30 ceilings and the record of \$22.20 in the week ended July 26, 1919. The average price of all grades of slaughter steers at Chicago during the week ended August 10 was \$22.11 compared with \$17.45 the last week in June and \$17.30 in the week ended August 16, 1919 which was the highest price on record prior to mid-June 1946. Good and choice spring lamb prices averaged \$21.20 in the same week compared with \$16.15 in the last week of June.

Demand for meat will continue strong. Meat production may be moderately smaller than a year earlier. But in the next 12 months, civilian supplies probably will be almost equal to a year earlier, because of reduced Government purchases.

Cattle slaughter under Federal inspection in early August continued at the record July level. The unusually heavy slaughter was a result of increased grain fed and grass fat cattle marketings and the uncertainties as to cattle prices after August 20. Slaughter of grass fat cattle in the balance of 1946 may total close to the large slaughter for the period in 1945. Near record numbers are available for market. On the other hand, marketings of fed cattle this summer and fall will be below the large number marketed a year earlier with 45 percent fewer cattle on feed in the Corn Belt August 1, than on that date in 1945.

Peak slaughter of 1945 fall pigs apparently was reached in late July but hog slaughter in early August was large for the season. Slaughter probably will fall off rapidly through September and is likely to total less than a year earlier in that period. Hog slaughter in October-March will total about the same as a year earlier. The 1946 spring pig crop was reported to be only 1-1/2 percent greater than the 1945 spring crop estimated at 52 million head. With record supplies of feed concentrates per animal unit for the coming feeding year, 1946 spring pigs probably will be marketed later than average as was the case with 1945 spring pigs.

The hog-corn price ratio improved in early August as corn prices weakened and hog prices increased. However, the ratio was still under the long-term average.

The supply of lambs for slaughter in the remainder of 1946 is less than for the same period of 1945. The total lamb crop this year, estimated at 26 million head, was 7 percent less than a year earlier and was the smallest since 1927. Sheep and lamb slaughter in January-July was almost as large as a year earlier and was a near record for the season.

DAIRY PRODUCTS

On August 20, the Price Decontrol Board determined that prices of dairy products were not to be recontrolled. With steady or increasing consumer demand for dairy products in prospect for the balance of 1946, and seasonally smaller supplies of milk and most manufactured dairy products, prices of dairy items are likely to increase over early August levels.

Prices of all manufactured dairy products containing butterfat in early August equalled or slightly exceeded the June 29 ceiling plus the equivalent of the June production payment rates. Prices of nonfat dry milk solids, on the other hand, have increased very slightly over the late June level, and the Government has purchased large quantities at previous ceilings. Retail prices of fluid milk increased an average of 2.4 cents per quart from mid-June to mid-July for the larger cities and further increases occurred in the second half of July.

Average returns to farmers per unit for dairy products in July were higher than a year earlier. But, the increases were considerably smaller, particularly for whole milk than would have been allowed by June 29 ceilings plus the production payments as tentatively planned for July by the Office of Economic Stabilization in April and May. Dairy product-feed price relationships became very unfavorable during July, as feed prices increased sharply and unit returns remained almost unchanged compared with June. Both the milk-feed and butterfat-feed price ratios were below average (1935-44) for the first time since 1940, and both were 21 percent below July 1945 (including production payments).

The number of cows on farms June 1 was 4 percent below a year earlier reflecting a rate of decline in the first half of 1946 slightly greater than in the first half of 1945. The smaller number of cows in July was partly offset by an increase in production per cow and total output was 3 percent under the previous record for that month last year. The total milk flow will decline seasonally until November.

POULTRY AND EGGS

Demand for chicken and turkey will increase during the next few months. But with marketings at their seasonal peak prices of chicken and turkey are expected to remain unchanged. By the end of the year, however, increases in prices may occur.

Egg prices through November probably will increase about seasonally. Egg supplies for the fall months will be almost as large as during the summer, and at least as large as last year. Egg production for the remainder of 1946 will be 6 to 9 percent below last year, but the near-record cold-storage stocks of shell and frozen eggs will fully offset the smaller output. Stocks of shell and frozen eggs available for civilian use from August through December this year are about 14 million cases (shell-egg equivalent), allowing for normal carry-over January 1, compared with net withdrawals of about 3 million cases for civilian use in the last 5 months of 1945.

Total supplies of eggs during the first half of 1947 will be moderately below the first half of 1946, but a smaller quantity of eggs may be used in drying and freezing for export. Prices received by farmers for eggs, at a minimum of 90 percent of parity, will be higher than in the first half of 1946, since parity prices are rising.

Turkey cold-storage holdings on August 1 totaled 63 million pounds, equivalent to about one-tenth of last year's output and triple prewar. This large carry-over and the reduction in Army procurement will about offset a prospective 15-percent decrease in output this year compared with 1945. About as much turkey will be available in 1946 as the record quantity of 4.3 pounds per person in 1945.

FATS, OILS, AND OILSEEDS

Prices of most fats and oils were at high levels during the first 10 days of August, with prices of butter and lard near 1919 peaks. The index number of wholesale prices of 8 domestic fats and oils was 238 (1935-39 = 100), 49 percent higher than in June and only 2 percent below the postwar peak reached in November 1919. However, the Price Decontrol Board acted on August 20 to reestablish price controls on lard, cottonseed oil, soybean oil and edible tallow.

In spite of these higher prices, no material increase in domestic production of fats and oils is in prospect in the next 12 months. A considerably smaller fall pig crop is expected this year than last, on the basis of farmers' plans June 1 and the exceptionally high price of corn since then. Lard and grease production in the late spring and summer of 1947, when 1946 fall pigs will be marketed, probably will be less than in the corresponding period this year. A reduction of about 40 percent in the 1946 flaxseed crop production is in prospect, largely as a result of a sharp decline in planted acreage this year. Production of linseed oil from domestic flaxseed will be down sharply in the next 12 months. On the basis of crop conditions about August 1, production of soybeans this year may be only slightly smaller than in 1945, but output of cottonseed and peanuts may be slightly larger. Production of edible vegetable oils in the next 12 months may be slightly smaller than a year earlier.

Some addition to total U. S. supplies of fats and oils may result from foreign trade in the next 12 months. This will depend partly on international negotiations, particularly those with the Argentine Government for linseed oil and flaxseed. Export supplies of fats and oils in world surplus-producing areas, particularly in the Philippines and the East Indies, are expected to increase, and it is likely that imports of oils and fats into the United States will be larger in the year beginning July 1946 than the 700 to 750 million pounds imported in the year beginning July 1945. Also, exports of lard from the United States are likely to decline, reflecting current low stocks and reduced output in prospect for the first half of 1947. The United States exported 200 to 250 million pounds more fats and oils than it imported in 1945-46, whereas in prewar years the United States had maintained a net balance of imports of around 1.5 billion pounds annually.

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CORN AND OTHER FEED

By mid-August, feed prices generally had turned downward, at least moderately, from the peaks reached in July. Corn and barley prices had declined to levels about halfway between the former ceilings and the July peaks. Oats prices had dropped to levels below the former ceilings, reflecting the large supplies in the country. In the group of byproduct feeds, wheat millfeed prices had declined by mid-August to levels about halfway between the former ceilings and the July peaks, but prices of most high-protein feeds, particularly oilseed cakes and meals and animal protein, continued at or near levels reached since lapse of price controls.

Favorable weather during July improved the prospects for 1946 feed crops, and the most liberal feed grain supply per animal unit in history is indicated for the 1946-47 feeding season. Based on August indications, the corn crop this year will be by far the largest on record, and the oats crop of near-record size. Production of barley and sorghum grain is indicated to be smaller this year than in recent years.

The prospective 1946-47 supply of the four feed grains--corn, oats, barley, and sorghum grains--totals nearly 140 million tons, compared with 132.3 million tons in 1945-46. Also, the crop of new hay, augmented by record carry-over stocks, will provide liberal supplies of hay per animal unit during the coming year. Byproduct feed supplies in 1946-47 are expected to be at least as large, in total, as in 1945-46, although supplies of the high-protein feeds probably will be slightly smaller.

WHEAT

Wheat prices have now declined to about the level of June 30, reflecting the new crop movement and continued improvement in the crop. The CCC is currently obtaining wheat for export at the old ceiling level plus markups and by early August had purchased 28 million bushels of the new crop. The very large export demand is the principal price-supporting factor. Offsetting the effect of this demand on price are prospects of record large feed supplies per animal unit.

Domestic wheat supplies in 1946-47 are now estimated at over 1,261 million bushels, consisting of a carry-over of old wheat of 101 million bushels and a prospective crop as of August 1 of 1,160 million bushels. While the indicated crop is the largest on record--37 million bushels above the record last year--the carry-over is the smallest in 20 years except for 1937. As a result, total supplies are below each of the past 5 years, although over a fourth above the 1932-41 average.

Whether or not restrictions on the domestic use of wheat will be eased will depend on the final outturn of the wheat and corn crops. Moreover, much depends upon the world food situation, particularly the demand for export wheat from the United States where, even with the large crop, supplies are 140 million bushels smaller than those of a year ago. On May 14, when the crop of wheat was estimated at 1 billion bushels, a tentative estimate of wheat distribution of 1946-47 was announced by the Department of Agriculture of 450 million for food use, 180 million for feed, and 85 million for seed. If restrictions are maintained, about 580 million bushels would be indicated for exports and carry-over. On this basis, exports of between 250 million and 300 million bushels would leave a carry-over of around

300 million bushels, which would compare with the 1932-41 average of 235 million bushels and the abnormal low of 101 million bushels July 1, 1946.

World production, excluding the Soviet Union and China is expected to be about 10 percent above the production in 1945, and perhaps not far from the 1935-39 average. Prospects in Europe are for a crop better than the very poor ones in 1945 and 1942, although still not as large as those of other recent years and less than the prewar average. In Soviet Russia, prospects for total grain production are favorable, though acreage and yield are not likely to reach prewar levels. In the Far East, where the food emphasis is on rice, conditions have not been favorable for planting and the acreage planted in such important rice exporting countries as Burma and Siam will be well below normal.

The first official Canadian report on production will be released September 12. The acreage in the Prairie provinces is estimated at 12 percent above that in 1945 and condition on July 31 was placed at 126 percent compared with 92 for a year earlier, indicating a total crop of about 500 million bushels. However, there has subsequently been deterioration, resulting from hot, dry conditions, which has reduced prospects. On the basis of increased acreage and more favorable conditions production in Argentina and Australia should exceed the reduced crops of last year and may again reach prewar levels.

Even though production prospects appear better than last year, world wheat requirements will exceed supplies through 1946-47.

FRUIT

Prices for most deciduous fruits are expected to continue to decline seasonally during September and October as market supplies increase, but to remain near the high levels of 1945 because of continuing strong demand of consumers and processors. The strong processor demand for fruit not only is an important factor tending to sustain fruit prices but, in some cases, is resulting in smaller supplies for fresh market shipment than otherwise would be the case.

With available supplies of oranges about one-third smaller than last summer and prices for most grades and sizes at ceilings, prices are expected to average considerably higher this summer than last. Among the few other important fruits still under price control in August, only the large sized grapefruit and best quality apples have tended to sell at ceilings.

Lack of sugar and absence of continuous hot weather this summer are important factors in the generally weaker demand for lemons, the supply of which is now estimated to be slightly larger than last summer. Lack of sugar for home canning also is a factor in the recent declines in prices for deciduous fruits, especially peaches. However, a commercial pack of canned deciduous fruit about one-fifth larger than the 1945 pack is now in prospect.

POTATOES AND SWEETPOTATOES

If total production of potatoes in 1946 reaches the 445 million bushels expected on the basis of August 1 conditions, the prices received by farmers for this year's potatoes will continue to rest heavily on the Government price-supporting program. Such a crop would be second only to the 465 million bushels produced

in 1943 and 19 percent larger than the 1935-44 average. The record-large crop produced in the early States, estimated at 80.5 million bushels, already has been marketed although substantial quantities moved into diversion channels. Marketing of the intermediate crop is well along. The prospective crop in the 30 late States is slightly smaller than last year and 10 percent smaller than the record crop in 1943.

During the peak movement of sweetpotatoes to market in October and November, prices to growers probably will decline appreciably below present ceiling prices. However, the new crop is estimated to be slightly smaller than last year's about-average crop which sold at ceiling prices throughout most of the season.

TRUCK CROPS

For Fresh Market

Farmers and the weather are cooperating again this year to establish a new high record for production of commercial truck crops for the fresh market, and prices to growers are expected in general to remain below wartime peaks, but above prewar levels, for the balance of the season. It is estimated that more than 2 million acres will produce more than 9 million tons, a quantity about one-third larger than the 1935-44 average. Record-high summer crops of cantaloups, carrots, cucumbers, Honey Dew melons, lettuce, onions, green peppers, spinach, tomatoes, and watermelons, and relatively abundant supplies of most other truck crops have brought prices to growers for nearly all truck crops below the corresponding levels of the last 2 or 3 years, and well below the few ceilings still in force in August.

For Processing

A record-large commercial production of truck crops for processing appears probable this year. Production for processing is expected to set a record high for tomatoes and green peas and be at near-record levels for snap beans and sweet corn. Prices to growers for processing crops are set largely by pre-season contracts. Therefore, the current abundance of fresh market supplies will not greatly affect the price received by producers from the processors. It is expected that prices paid by processors will average about as high this year as last.

COTTON

After advancing from 31.44 cents a pound on July 1 to a high of 35.72 cents on July 19, the price of Middling 15/16-inch cotton at the ten spot markets fell off to 31.71 cents on July 30. Prices then strengthened moderately and when the Department of Agriculture estimated on August 8 that the 1946 crop would be only 9,290,000 bales, prices started sharply upward to a new high, since the early 20's, of 36.04 cents a pound on August 9. On July 31 the Secretary of Agriculture announced that the basic loan rate for Middling 7/8-inch cotton from the 1946 crop would be 22.83 cents per pound, gross weight. This price is 92-1/2 percent of the parity price as of August 1, 1946, and compares with last year's basic loan rate for this quality of 19.84 cents.

On August 21, the Bureau of Census reported that mill consumption of all kinds of cotton during the 1945-46 marketing season amounted to 9.2 million bales compared with 9.6 million the previous season. Carry-over of all kinds of cotton on hand August 1 amounted to 7.5 million bales, 3.6 million bales below the carry-over on August 1, 1945. Exports for the 1945-46 crop year amounted to about 3.5 million bales.

The August 8 Cotton Crop Report places the 1946 crop at 9,290,000 bales (500 pounds gross weight) or the equivalent of 9,054,000 running bales which along with the carry-over indicated above and assumed imports of 300,000 bales places 1946-47 crop year supplies at 16.9 million bales. These supplies are around 3.5 million bales below those of last year.

Cloth production in the week including July 4 was estimated by the Civilian Production Administration at less than one-fourth the weekly rate attained during the remainder of the month. This low rate resulted from the closing down of a number of the mills for all or part of that week for cleaning and repairing as well as for vacation purposes. If 1-1/2 working days are allowed for the July 4th week the total number of working days for the month becomes 19-1/2 rather than 22 as estimated by the Federal Reserve Board. On the basis of a 19-1/2 working day month, the daily rate of mill consumption for July, converted to an annual basis, amounts to 9.5 million bales compared with 10.1 in June. If the June-July rate of mill consumption continues through late fall, it is likely that mill consumption for the 1946 crop year would exceed the 9.2 million bales consumed during the 1945 crop year. This consumption along with prospective exports point to another sizeable reduction in stocks during the 1946 marketing year.

WOOL

United States prices of raw wool and of most wool manufactures remained generally unchanged during July when ceilings were not in effect. However, wool top prices advanced to \$1.485 before July 26 when they were put back to their former ceiling price of \$1.330. Wool sales in the Southern Hemisphere countries are virtually suspended during this season. When the new selling season opens in September, prices of most foreign wool are expected to continue about at present levels and prices of the finer grades may increase. The British Dominions have announced that prices of British Empire wools will be supported at the same average selling price that prevailed in the latter part of the 1945-46 season.

In the United States, stocks of domestic wool continued to increase during the second quarter and are considerably larger than a full year's production. Stocks of foreign wool were about steady, as large second quarter imports about equalled consumption. Total June 29 apparel-wool stocks held by mills and dealers and by the CCC of 926 million pounds grease basis, were 211 million pounds larger than a year earlier.

Mill consumption of apparel wool in the United States was at the extremely high annual rate of 1.1 billion pounds grease basis during May and June. A seasonal decline is indicated for the summer months, but consumption for the year is still expected to be close to a billion pounds grease basis. Use of domestic wool continued to increase but was still below the level of domestic production. Men's wool and part-wool suit production during May and June continued at about 1939 levels.

TOBACCO

A strong demand from cigarette and cigar manufacturers for burley, flue-cured, Maryland and cigar leaf is being maintained by the current and prospective high level of consumer incomes. On the other hand, smoking tobacco, chewing tobacco and snuff manufacturers are taking smaller quantities of leaf as (1) smoking tobacco consumption has fallen off with the replenishment of cigarette supplies and (2) chewing tobacco and snuff consumption have fallen off along with employment in war plants where smoking is not permitted. While the export demand for all classes of tobacco is strong, it is of particular importance in the cases of dark air-cured and fire-cured as it offsets a decreased domestic demand.

Auction prices of the 1945 crop of Maryland and the 1946 crop of flue-cured (types 13 and 14) are higher than a year earlier. Through August 9 about 73 percent of the 1945 crop of Maryland had been sold at an average price of about 57.1 cents, 2.0 cents above the price in the corresponding portion of the 1944 marketing season. Type 14, in the Georgia-Florida auctions, sold for a record high average of 46.2 cents per pound through August 9 compared with 40.8 cents per pound in the corresponding portion of last marketing season. Through the same date, type 13, in the South Carolina Belt auctions, also sold for a record high average of 55.6 cents per pound compared with 44.6 cents in the same period last year. Prices for good grades are considerably higher than last year while prices of poor grades are considerably lower. A part of the increase in average prices for both types, this season compared to last, is due to the high quality of this year's crop. On the basis of estimated July 1 stocks and the 1946 crop, as estimated in the August 10 crop report, supplies of flue-cured this season exceed those of last season by 6 percent.

Supplies of burley in prospect next season are up 6.6 percent while domestic disappearance in prospect is lower owing to a decrease in smoking tobacco production. Exports of burley have doubled since last year but are still relatively unimportant. The general advance in commodity prices will be a factor supporting burley prices during the 1946 marketing season.

Though prospective 1946-47 supplies of dark tobaccos are 105 percent of the 1945-46 level they are only 76 percent of the 1934-38 level. The strong export demand in prospect should offset any decrease in domestic disappearance this next marketing year.

Cigar filler and wrapper supplies for the 1946-47 marketing year probably will be a little below those during 1945-46 while binder supplies may be as much as 10 million pounds greater than the 164 million pounds available last year.

SUGAR

Sugar prices held at ceilings during the no-price control interim primarily because the CCC which controls virtually the entire Cuban crop requested that prices be held at those levels. Rationing, continued under the Second War Powers Act, also contributed to the control of sugar prices. Prices have since continued at ceiling levels with demand for sugar at those prices far in excess of available supplies. Under terms of the Cuban purchase contract, the base price of sugar, f.a.s. Cuba, was established at 3.675 cents per pound, with various provisions for

increasing this minimum price. The proviso for increasing the base price as the Bureau of Labor Statistics Retail Food Price index rises above a specified base (140.27) will result in an increase in the price of sugar. The average Retail Food Price index for the second quarter of 1946 was 143.30 over 2 percent above the base and will increase the minimum price to 3.754 cents per pound, f.a.s. Cuba, for one-fourth of the 1946-crop purchase. The index of Retail Food Prices for July was 165.7, about 14 percent above June.

The present low sugar rations probably will be continued as a minimum throughout the remainder of 1946 by reducing projected carry-over stocks, if necessary. Supplies of sugar will continue short of ration demand, particularly in the normal cane sugar marketing areas, until fall sugar production becomes available.

Distributors' stocks of sugar on July 1, were 40 percent above those of a year ago. Beet sugar stocks, representing almost half of the total, were 50 percent above 1945. However, the maldistribution of sugar stocks resulted in stocks in excess of rationed requirements in some areas and in deficits in others. The temporary dislocation of available supplies has resulted in shortages in many Eastern and Midwestern States. In order to expedite the movement of sugar into deficit areas, the CCC on July 20, offered to reimburse processors for excess transportation costs of moving sugar from the West to deficit areas.

The indicated sugar beet crop on August 1, was 29 percent above last year and the expected cane crop was about 6 percent below 1945. Most 1946-crop sugar will be distributed for consumption next year and the expected increase, though significant, is small relative to total consumption.

